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BEFORE THE  
TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

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REGULATORY AUTH.

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OFFICE OF THE  
EXECUTIVE SECRETARY

IN RE:

PETITION OF BEN LOMAND )  
COMMUNICATIONS, INC. FOR APPROVAL )  
TO ISSUE AND SELL UP TO AN ADDITIONAL )  
\$1,000,000 IN COMMON STOCK OF )  
BEN LOMAND COMMUNICATIONS, INC. )

DOCKET NO. 00-00680

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PETITION REQUESTING AUTHORITY FROM TENNESSEE REGULATORY  
AUTHORITY TO ISSUE AND SELL ADDITIONAL COMMON STOCK

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Ben Lomand Communications, Inc., hereinafter referred to as "BLC", a corporation for profit, organized and existing under the laws of the state of Tennessee, and duly authorized by a grant of a Certificate of Convenience and Necessity from the Tennessee Regulatory Authority and by franchises from the subject cities to furnish local exchange telecommunication services, primarily telephone services, in the cities of Sparta, Tennessee, and McMinnville, Tennessee, and who was earlier granted a certificate to furnish interstate and intrastate long distance services as a reseller by the Tennessee Public Service Commission, in compliance with the requirements of Tennessee Code Annotated Section 65-4-109 and other applicable laws, statutes, rules and regulations, does respectfully petition and request the Tennessee Regulatory Authority for permission and/or authority to sell common stock of Ben Lomand Communications, Inc. in a sum or sums up to an additional \$1,000,000 for the purpose of making capital additions to a modern, up-to-date telecommunications network for use by consumers in the said cities of McMinnville, Tennessee, and Sparta, Tennessee, and to defray start up expenses of its CLEC operations. Ben Lomand Communications, Inc. submits the following general

information in support of this petition and application with respect to the request for authorization to sell additional common stock in the amount above set out:

1. The name and address of the Petitioner is: Ben Lomand Communications, Inc., 1111 Smithville Highway, McMinnville, TN 37110, Telephone (931) 668-1010, Fax Line (931) 668-1013.

2. Ben Lomand Communications, Inc. is a diversified telecommunications company, duly certified to do business in the state of Tennessee by the Authority. It is in good standing with the office of the Secretary of State of the State of Tennessee, the Tennessee Regulatory Authority, and to the best of its knowledge, all other governmental agencies.

3. The name and address of Ben Lomand Communications, Inc.'s counsel to whom all correspondence and inquiries regarding this petition should be directed is:

James W. Dempster  
General Counsel  
Ben Lomand Communications, Inc.  
118 E. Main Street  
P.O. Box 332  
McMinnville, TN 37111-0332  
Telephone: (931) 473-4934  
Fax Line: (931) 473-7190

4. Ben Lomand Communications, Inc. has been issued a Certificate of Convenience and Necessity to provide a full array of telecommunications services as set out in its application (Docket No. 98-00600). It is a public utility as defined in Tennessee Code Annotated 65-4-101 and is in the process of completing the construction and cutover of a facilities-based telecommunications operation in the cities of McMinnville, Tennessee, and Sparta, Tennessee. As a public utility, as to its intrastate operations, and in some instances its interstate operations, BLC is subject to regulation and oversight/supervision of the Tennessee Regulatory Authority as expressed in TCA 65, Chapter 4 and Federal Communications Commission regulations, and this petition is filed by BLC in compliance with Section 65-4-109 of Tennessee Code Annotated.

5. Ben Lomand Communications, Inc. did on July 12, 1999, petition the Tennessee Regulatory Authority for authority to borrow money and issue and sell common stock as shown by Docket No. 99-00496. On July 27, 1999, the following action was taken by the Authority's directors:

DIRECTOR GREER: I'd like to make a motion we approve the petition as filed, but, further, I'd like for the order to state that approval of the issuance of debt and stock by BLC does not imply that an analysis or an assessment of the risks to a purchaser of any securities issued by the Ben Lomand family of companies has been conducted by this agency.

DIRECTOR KYLE: I would agree.

CHAIRMAN MALONE: Make it unanimous.

Ben Lomand Communications, Inc., for its CLEC division (construction & operations), has issued common stock in the aggregate amount of \$1,000,000 to its parent company, Ben Lomand Rural Telephone Cooperative, Inc., and has borrowed from CoBank, ACB \$4,000,000, and as of July 21, 2000, has drawn against said loan the aggregate amount of \$3,700,000, leaving the sum of \$300,000 of loan funds which would be available to pay outstanding commitments of the CLEC division of BLC. Said commitments far exceed the \$300,000 in loan funds currently available.

**REQUEST TO SELL STOCK THAT WILL RAISE  
AN ADDITIONAL \$1,000,000 FOR THE CLEC DIVISION OF  
BEN LOMAND COMMUNICATIONS, INC.**

Ben Lomand Communications, Inc. petitions and requests authorization to sell stock in the number of shares that will raise an additional \$1,000,000 for capital improvements and start up operations of its CLEC division over and above the \$1,000,000 in stock it has previously sold for capital improvements for its CLEC division and would respectfully show the Tennessee Regulatory Authority (hereinafter referred to as the Authority) as follows:

1. The total estimated cost of the construction of plant in place plus the estimated engineering costs based upon a study by Cronin Communications Consultants, Inc. and Ladd Engineering, giving full consideration to engineering estimates on cost of buildout, anticipated growth, new types of services, inflation, and other factors, was estimated at \$5,039,749. Based upon these estimates, the Petitioner obtained a loan from CoBank, ACB in the amount of \$4,000,000 and sold stock to its parent company, Ben Lomand Rural Telephone Cooperative, Inc., in the amount of \$1,000,000. The McMinnville portion of the Petitioner's facilities-based operation is virtually complete, according to the original plans, and the Sparta portion of the Petitioner's buildout is approximately 80% complete, and the Petitioner is in far better position to anticipate its needs for capital improvement funds.

As of July 11, 2000, the actual capital improvement payout for the Ben Lomand Communications, Inc. CLEC division was \$5,001,232.78 with detailed CLEC paid out amounts shown on Exhibit 1 hereto.

2. Due to demands for more services than was estimated in the original planning and especially the requests for services in certain growth areas, additional remotes and ancillary hardware has been or is in the process of being added to the original buildout. The Petitioner has committed to the purchase of this additional equipment all as shown in Exhibit 2 to this petition.

3. The Petitioner, Ben Lomand Communications, Inc., would further show the Authority that it has only drawable for capital improvements \$300,000 of loan funds from the \$4,000,000 CoBank, ACB loan. BLC has made a good faith estimate that, in addition to the loan funds, the sum of \$500,000 will be needed for capital improvements and a small portion for start up expenses.

The Petitioner has issued purchase orders and is committed to pay Nortel Networks for six additional remotes plus hardware, engineering, and installation the sum

of \$433,161.70. In addition, the Petitioner is holding other invoices that have to do with the CLEC division in the sum of \$52,034.96.

Payments to Ladd Engineering are running approximately \$18,000 to \$20,000 per month, and the company installing drops is running approximately \$32,000 per month; however, now that the local number portability problems have apparently been solved, additional installers will be utilized to expedite the furnishing of requested services, which will result in additional costs.

4. Management has projected that in addition to the loan funds available, Ben Lomand Communications, Inc. will reasonably spend for capital additions in its CLEC division an additional \$500,000 within the next 90 days. Management further anticipates and has estimated, based upon current demand and future demand in unexpected areas, that several additional remotes will be needed along with supporting hardware, and to that end, the Board of Directors of Ben Lomand Communications, Inc., upon the suggestion of counsel, has taken action to request from the Tennessee Regulatory Authority its consent to sell \$1,000,000 instead of \$500,000 in stock, the majority of which is already committed for capital additions. The Board of Directors did adopt at its regular meeting held on the 13th day of July, 2000, an authorizing resolution, a copy of which is incorporated into this petition as Exhibit 3.

The Board of Directors of Ben Lomand Rural Telephone Cooperative, Inc., after due study of the needs of its subsidiary, Ben Lomand Communications, Inc., has authorized the purchase of stock in the amount of \$500,000, and a copy of the authorizing resolution is incorporated into this petition and designated as Exhibit 4.

5. The Board of Directors of Ben Lomand Rural Telephone Cooperative, Inc., has been informed that the issuance and sale of additional stock for operating capital as well as for meeting the materials, labor, engineering, etc. costs would be needed in the future, and in their discussion of this fact has informally stated that since Ben Lomand Rural Telephone Cooperative, Inc. is the sole stockholder, it would in all probability

authorize the purchase of up to the remaining \$500,000 of the \$1,000,000 of additional shares the Ben Lomand Communications, Inc.'s board has authorized for future sale.

6. Ben Lomand Communications, Inc. therefore, in order to expedite the sale of the stock for funds currently needed for the expenses of capital additions and in anticipation of future needs, is requesting permission from the Tennessee Regulatory Authority allowing it to issue and sell up to \$1,000,000 of additional stock to be used for the purpose of (1) payment for materials and labor for the construction of its local telephone exchange facilities in White and Warren Counties, and (2) to pay operational costs, employees salaries, miscellaneous expenses, rentals, and the like during the cutover for day-to-day operations of the Competitive Local Exchange Carrier functions of Ben Lomand Communications, Inc. The Petitioner would further show that the action of Ben Lomand Communications, Inc.'s board of directors and the action of the board of directors of Ben Lomand Rural Telephone Cooperative, Inc. were both adopted with the proviso that approval is to be obtained from the necessary governmental authorities, and especially the Tennessee Regulatory Authority.

PREMISES CONSIDERED, THIS PETITIONER, BEN LOMAND COMMUNICATIONS, INC., PRAYS THAT:

1. Authority be granted Ben Lomand Communications, Inc. by the Tennessee Regulatory Authority to issue and sell up to an additional \$1,000,000 in stock to be used as set out in this request.
2. The Authority issue an appropriate order providing for Petitioner's proposal and authorizing the implementation with regard to the sale of stock.
3. The Petitioner have such further and other relief as the Authority may deem proper under the circumstances.

DATED: This 27 day of July, 2000.

Respectfully submitted,

BEN LOMAND COMMUNICATIONS, Inc.

By: Levoy Knowles  
Levoy Knowles, Exec. Vice President  
1111 Smithville Hwy.  
McMinnville, TN 37110

James W. Dempster  
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Inc.  
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STATE OF TENNESSEE

COUNTY OF WARREN

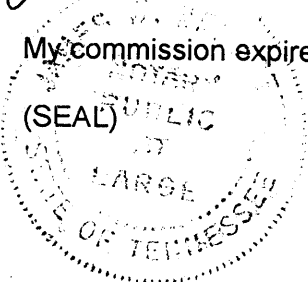
LEVOY KNOWLES makes oath that he is the Executive Vice President of Ben Lomand Communications, Inc. and has read the foregoing petition, the contents thereof, and the exhibits thereto attached, and the statements and allegations made therein are true to the best of his knowledge, information, and belief.

Levoy Knowles  
Levoy Knowles

Sworn to and subscribed before me,  
on this the 27 day of July, 2000.

James W. Dempster  
Notary Public at Large

My commission expires: Aug 11, 2003



CLEC PAID AMOUNTS  
AS OF JULY 11, 2000

Engineering	\$ 469,130.10
Materials	1,941,644.77
Labor	1,453,197.37
Electronic Equipment	<u>1,137,260.54</u>
TOTAL	\$5,001,232.78



**CLEC PROJECT**

**ESTIMATED COSTS TO COMPLETE**

Engineering	\$ 60,000
Materials	150,000
Labor	192,000
Electronic Equipment	<u>433,000</u>
TOTAL PROJECTED COSTS	\$835,000

## RESOLUTION

WHEREAS, Ben Lomand Communications, Inc. was granted a Certificate of Convenience and Necessity as a competing local exchange carrier the right and authority to furnish local exchange telecommunications services in the City of McMinnville, Tennessee, and in the City of Sparta, Tennessee; and,

WHEREAS, the Board of Directors of Ben Lomand Communications, Inc. has authorized management to take certain actions and to expend certain funds for the purpose of constructing, acquiring certain physical facilities in said cities to be used in the CLEC operation and to proceed in the preparing of day-to-day operations of the said CLEC division of Ben Lomand Communications, Inc.; and,

WHEREAS, additional capital is needed by Ben Lomand Communications, Inc. in order to pay expenses incurred and to be incurred in the Corporation's business as a CLEC, which will necessitate the obtaining of additional funds in an amount up to \$1,000,000 for two primary reasons:

1. The business plan provided for a number of additional customers to be on line several months earlier; however, due to technical difficulties in being able to furnish reliable local number portability to applicants who have applied for service, the monthly income has not reached the budgetary amount predicted and anticipated to help offset expenses; and,

2. A much higher growth on request rate in certain residential areas over and above that estimated in the engineering and business plan has resulted in the necessity of adding new remotes to furnish the requested service in this particular area, and the current budgetary estimate of minimum additional cash needed in addition to the \$4,000,000 borrowed by the Corporation from CoBank, ACB is estimated to be in the neighborhood of \$500,000 for known equipment and operating expenses; and it is anticipated that the delay in the establishment of a reliable local number portability system may take additional time, therefore, an additional \$500,000 cushion is needed, making the total amount \$1,000,000.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Ben Lomand Communications, Inc. that the Corporation be and is hereby authorized to sell not more than 10,000 additional shares of common stock for the total sum of \$1,000,000 and that the Corporation offer for sale to Ben Lomand Rural Telephone Cooperative, Inc. up to 10,000 additional shares at a sum of \$100 per share, and that a stock certificate be issued to Ben Lomand Rural Telephone Cooperative, Inc. for up to the total sum of \$1,000,000 upon the payment of the sum of \$100 per share to Ben Lomand Communications, Inc., subject, however, to approval of the Tennessee Regulatory Authority.

BE IT FURTHER RESOLVED that the President and Secretary be and are hereby authorized to sign the said stock certificate or certificates on behalf of the Corporation.

## RESOLUTION

WHEREAS, the officers and directors of Ben Lomand Communications, Inc. have prepared a budget and a cash outlay estimate for capital improvements for its CLEC operations, costs, and expenses to be incurred prior to September 30, 2000, and,

WHEREAS, the Board of Directors of Ben Lomand Communications, Inc. did at its regular meeting on July 13, 2000, adopt a resolution authorizing the sale not more than 10,000 additional shares of stock in the Corporation subject to obtaining the approval of the Tennessee Regulatory Authority to sell stock, and Ben Lomand Communications, Inc. has requested the Board of Directors of Ben Lomand Rural Telephone Cooperative, Inc. to consider the purchase of up to 10,000 additional shares of stock at \$100 per share, which request is heard and understood; now, therefore,

BE IT RESOLVED by the Board of Directors of Ben Lomand Rural Telephone Cooperative, Inc. that the Cooperative purchase 5,000 additional shares of stock in Ben Lomand Communications, Inc. for a consideration of \$100 per share and to accept a stock certificate as evidence of said purchase, subject, however, to Ben Lomand Communications, Inc. obtaining the approval of the Tennessee Regulatory Authority to sell stock.

BE IT FURTHER RESOLVED that the Manager and Controller be and are hereby authorized to issue the Cooperative's check for said stock purchase and to accept delivery of a stock certificate for said additional 5,000 shares of stock.

BE IT FURTHER RESOLVED that this resolution shall become effective from and after its adoption.